

AR06

ANNUAL REPORT

1969



MALARTIC HYGRADE GOLD MINES (QUEBEC) LTD.

President
GERARD PAQUETTE

Secretary
IAN MACFEE ROGERS, Q.C.

Treasurer
A. LEONARD FOSBROOKE

Director
WILLIAM DONALD BURTON FREER

Director
JUDITH PATRICIA GOLDSTEIN



MALARTIC HYGRADE GOLD MINES (QUEBEC) LTD.



MALARTIC HYGRADE GOLD MINES (QUEBEC) LTD.

President's Report

Dear Shareholder:

Gold production has played a vital role in the affairs of men throughout history, and will be more vital in the years ahead. World trends now indicate an even greater emphasis on gold. At the moment it appears clear that demand will outstrip production before the end of the decade.

Gold stands as the principal standard of value in the world of commerce, and gold requirements are fundamental to the growth of international trade. The Seventies will see greater pressures for gold in the multi-national activities of both government and private sectors.

Canadian gold mines will be called upon to produce with not only new management skills, techniques and planning methods, but also new production technology essential to lower operating costs and greater returns to shareholders.

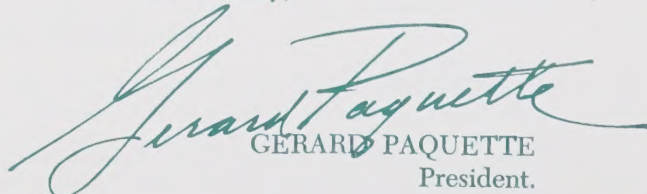
Shareholders will be interested to know that Charles R. Stahl, President of Economic News Agency and publisher of Green's Commodity Market Comments in a recent statement predicted Gold will eventually sell from \$70 to \$130 an ounce and Americans will be legally permitted to own GOLD BULLION to be traded on the commodity Exchanges.

During the course of 1969 surface and underground surveys were undertaken to determine the common boundary between Camflo Mines Property and our own.

Your company also undertook a modest exploration program on outside properties during the year and during 1970 this policy of continuing exploration on a limited basis will be carried out.

Accompanying my report is a copy of the Company's financial statement for the year ended September 30, 1969.

Yours truly,


GERARD PAQUETTE
President.



MALARTIC HYGRADE GOLD MINES (QUEBEC) LTD.

(Incorporated under the laws of the Province of Quebec)

BALANCE SHEET

As at September 30, 1969
(with comparative figures for 1968)

ASSETS		1969	1968
Cash and term deposit		\$ 103,236	\$ 57,400
Buildings, machinery and equipment (note 1)		1,125,755	1,125,000
Mining properties and claims:			
Malartic Township, Province of Quebec (note 1)		1,750,000	1,750,000
Dasserat Township, Province of Quebec (note 5)		1	—
		<u>1,750,001</u>	<u>1,750,000</u>
Deferred exploration, development and other expenditures, as per statement		463,542	407,704
TOTAL ASSETS		<u>\$3,442,534</u>	<u>\$3,340,104</u>
LIABILITIES			
Accounts payable and accrued liabilities		\$ 5,533	\$ 3,103
7% First Mortgage Bonds due July 31, 1973 (note 2)		200,000	200,000
TOTAL LIABILITIES		<u>205,533</u>	<u>203,103</u>
SHAREHOLDERS' EQUITY			
Capital stock (notes 1, 2, 3 and 4)			
Authorized:			
5,000,000 Shares, no par value, to be issued for an aggregate consideration not exceeding \$5,000,000			
Issued and fully paid:			
1,341,682 Shares, for net assets acquired (note 1)		3,137,000	3,137,000
200,005 Shares, for cash (note 3)		100,001	1
		<u>3,237,001</u>	<u>3,137,001</u>
		<u>\$3,442,534</u>	<u>\$3,340,104</u>

The accompanying notes form an integral part of this balance sheet and should be read in conjunction therewith.

Approved on behalf of the Board:

GERARD PAQUETTE (Director)

I. MacF. ROGERS (Director)

AUDITORS' REPORT

To the Shareholders of
Malartic Hygrade Gold Mines (Quebec) Ltd.

We have examined the balance sheet of Malartic Hygrade Gold Mines (Quebec) Ltd. as at September 30, 1969. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the above balance sheet presents fairly the financial position of the company as at September 30, 1969, and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
November 3, 1969.

PAPE, STROM, SHERMAN & LAVINE
Chartered Accountants.

NOTES TO THE BALANCE SHEET AS AT SEPTEMBER 30, 1969

- Under the terms of an agreement dated June 10, 1968, the company acquired all the assets and assumed all the liabilities of Malartic Hygrade Gold Mines Limited. The consideration for the purchase was to be fully-paid and non-assessable shares in the company, the total number of which could not be determined as at the date of the agreement.

Malartic Hygrade Gold Mines Limited made a proposal under the Bankruptcy Act, which proposal was approved by the creditors on May 10, 1968, and approved by the Courts on May 31, 1968. The proposal provided that the ordinary creditors were to be paid in part by cash, and in part by common treasury shares of that company on the basis of one share for each fifty cents of the remaining balance after the cash payment. As a result, the Trustee in Bankruptcy issued 180,094 shares to the creditors of the company, bringing to 3,416,814 the total number of issued and outstanding shares.

Accordingly, the following shares in Malartic Hygrade Gold Mines (Quebec) Ltd. were issued, as stipulated under the agreement dated June 10, 1968:

To the debenture holders of Malartic Hygrade Gold Mines Limited	1,000,000
To the shareholders of Malartic Hygrade Gold Mines Limited on the basis of one share for each ten shares held by them	341,682
Total shares issued for assets acquired	<u>1,341,682</u>

The Directors of the company have determined the value of the shares so issued to be \$3,137,000, allocated as follows:

Assets acquired:

Mining properties and claims	\$1,750,000
Buildings, machinery and equipment	1,125,000
Deferred mine development costs	400,000
	<u>3,275,000</u>

Liabilities assumed	<u>138,000</u>
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Net assets acquired	<u>\$3,137,000</u>
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- The 7% First Mortgage Bonds dated August 1, 1968, mature July 31, 1973.
The Bonds are secured by a first fixed and first floating charge on all the present and future assets of the company.

The Bonds are convertible at the option of the holder into fully-paid shares of the company at the rate of 500 shares for each \$100 principal (note 4).

Interest on these Bonds is payable yearly on August 1 only if the earnings of the company (as defined in the Trust Deed) for the previous fiscal year equal at least three times the amount of interest payable on the Bonds for the current fiscal year. Since this condition was not met during the year under review, no provision has been made for interest on Bonds in the attached statements.

The Bonds are redeemable at par, plus a premium of 7%.

- The company issued share purchase warrants to the bondholders at the time of issue of the Bonds. These warrants, issued at the rate of 250 shares for each \$100 principal of Bonds, expire on July 31, 1973, and entitle the holders thereof to purchase shares in the company at 50¢ per share.

The Trust Agreement in respect of these share purchase warrants places certain restrictions on the company with respect to the distribution or sale of its assets, unless at least 30 day's public notice thereof is given to the warrant holders.

During the year, 200,000 shares in the company were issued as fully-paid and non-assessable for a consideration of \$100,000 on the exercise of 200,000 share purchase warrants.

- The company has reserved and set aside 1,300,000 shares of the capital stock of the company for the exercise of the share purchase warrants, and the conversion of the Bonds.

- During the year, the company acquired a 25% interest in 99 claims in the Township of Dasserat in the County of Rouyn-Noranda.

In consideration of the company assuming the cost of developing the claims sufficiently to determine their merits, and if the company decided that the claims or any of them contain an economic ore body, the company is to receive a 62½% interest in a new company to which those claims containing the ore body would be transferred.



MALARTIC HYGRADE GOLD MINES (QUEBEC) LTD.

STATEMENT OF DEFERRED EXPLORATION, DEVELOPMENT AND OTHER EXPENDITURES

For Year Ended September 30, 1969

Exploration and development

Malartic Township

Government fees, licences and taxes	\$ 2,554	
Mine watchman's salary and benefits	3,535	
Engineering fees	448	\$ 6,537

Dasserat Township

Line cutting and geophysical survey	\$ 3,365	
Diamond drilling	20,898	
Government fees, licences and taxes	1,190	
Prospecting and exploration	750	26,203
		<u>\$ 32,740</u>

Administration

Legal fees	\$ 8,661	
Secretarial services	2,450	
Insurance	2,440	
Incorporation and organization expenses	2,431	
Postage, printing and stationery	2,390	
Transfer agent's fees and expenses	2,335	
Advertising and public relations	2,000	
Telephone and office expenses	1,035	
Audit fees	750	
Directors' fees	350	24,842

Expenditures for year \$ 57,582

Less — Interest earned on term deposits 1,744

Net expenditures for year \$ 55,838

Balance deferred at beginning of year:

Development and administrative expenditures	\$406,204	
Incorporation and organization expenses	1,500	407,704

Balance deferred at end of year \$463,542

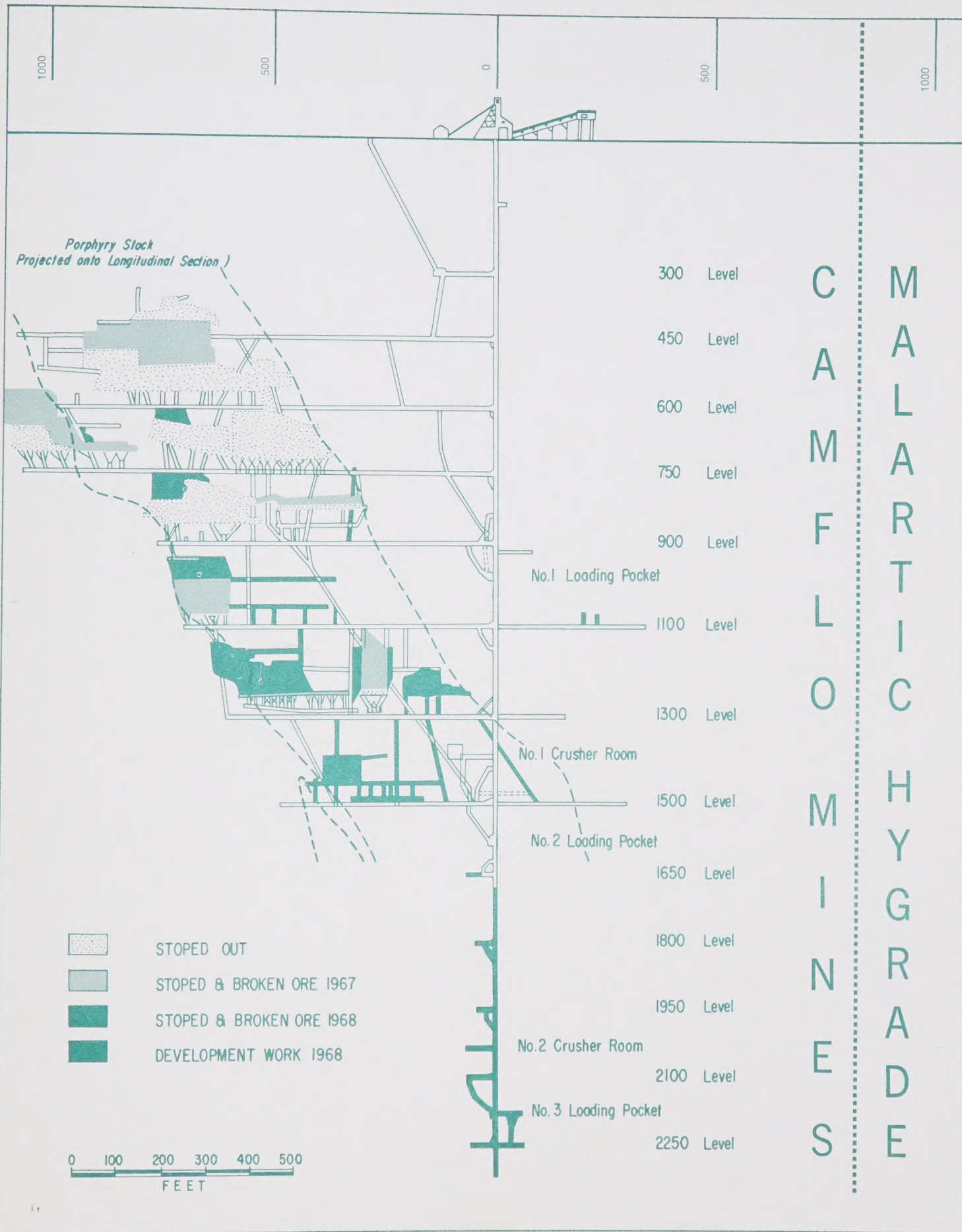


Diagram - Vertical Cross Section

